

Message Text

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ACTION EB-11

INFO OCT-01 ARA-16 ADP-00 EA-11 EUR-25 AGR-20 CEA-02

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PASS USDA/EMS FOR MEAD

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TAGS: EAGR

SUBJECT: EDEMA MANAGER'S STATEMENT ON WHEAT SITUATION

1. EVERY HANDSHAKE BETWEEN NIXON AND BRESHNEV RESULTS IN HIGHER WHEAT PRICES FOR COLOMBIA REPORTED EL TIEMPO IN A FRONT PAGE ARTICLE JULY 16. THIS STATEMENT ATTRIBUTED TO IDEMA MANAGER GUILLERMO VELEZ STATES FURTHER THAT EVERY COMMERCIAL AGREEMENT BETWEEN THE U.S. AND THE U.S.S.R OR CHINA INCREASES BREAD PRICES IN COLOMBIA THROUGH THE IMPACT ON HIGHER FREIGHT RATES, SHIPMENT DELAYS DUE TO PORT CONGESTION, INCREASED GRAIN PRICES AND DIMINISHED OPPORTUNITIES FOR PL-480 AGREEMENTS.

2. VELEZ ADDED WHEAT PRODUCTION IN COLOMBIA HAS DECLINED IN THE FACE OF RISING CONSUMPTION AS A RESULT OF DOMESTIC EFFORTS TO STIMULATE BARLEY PRODUCTION AND THE AVAILABILITY OF LARGE QUANTITIES OF U.S. WHEAT UNDER PL-480.

3. THE POLICY INITIATED RECENTLY BY IDEMA OF CREATING BUFFER

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STOCKS HE SAID OFFERS A TOOL TO COMBAT SPECULATION IN WHEAT

FLOUR AND BEGINNING IN AUGUST A PLAN FOR SELLING BREAD BY WEIGHT WILL BE INITIATED. ACCORDING TO VELEZ THE MILLERS HAVE AGREED TO PROVIDE IDEMA 20 PERCENT OF THEIR FLOUR PRODUCTION WHICH TOGETHER WITH 40,000 MT OF FLOUR PURCHASED IN THE U.S. WILL BE USED TO PRODUCE THIS BREAD.

4. COMMENT: WHILE THIS IS A MATTER OF FACT STATEMENT AND NOT CRITICAL IN TONE OF THE U.S., IT SERVES TO DEMONSTRATE THE FEELING WHICH HAS BEEN LARGELY BENEATH THE SURFACE UNTIL NOW THAT BOTH THE SCARCITY AND HIGH PRICE OF WHEAT IN COLOMBIA ARE DUE TO U.S. GRAIN SALES TO THE USSR AND CHINA. NEEDLESS TO SAY IF WHEAT SUPPLIES REMAIN TIGHT AND COLOMBIA'S FY 1974 PL-480 WHEAT PROGRAM IS CUT, SUBSTANTIALLY, MORE CRITICAL OFFICIAL STATEMENTS ALONG THIS THEME CAN BE EXPECTED AS WELL AS EFFORTS TO REDUCE DEPENDENCE ON U.S. WHEAT BY DIVERSIFYING SOURCES OF SUPPLY AND INCREASING DOMESTIC PRODUCTION.

5. THE QUOTE NEW BUFFER STOCK POLICY QUOTE WAS ACTUALLY ANNOUNCED AND REPORTED A YEAR AGO WHEN IDEMA REACHED AGREEMENT WITH THE MILLERS TO BUILD UP AND MAINTAIN STOCKS OF 60,000 MT OF WHEAT (ABOUT TWO MONTHS SUPPLY). THIS AGREEMENT WAS NOT IMPLEMENTED DUE TO HIGH WHEAT PRICES AND TIGHT SUPPLIES. HOWEVER THE GOC IS COMMITTED TO HOLDING DOWN INFLATION IN THE PRE-1974 ELECTION PERIOD WHATEVER THE COST AND BELIEVES THAT MAINTAINING SUBSTANTIAL GRAIN STOCKS FOR MARKET INTERVENTION PURPOSES IS THE ONLY WAY THIS CAN BE DONE FEASIBLY.

6. THE AGREEMENT WITH BAKERS IS NEW AND REPRESENTS THE LATEST OF A SERIES OF EFFORTS (SO FAR UNSUCCESSFUL) TO HOLD DOWN BREAD PRICES. IDEMA PLANS TO USE THE 40,000 MT OF U.S. FLOUR PURCHASED RECENTLY PLUS THREATS OF FURTHER IMPORTS TO ENSURE COMPLIANCE BY BOTH MILLERS AND BAKERS.

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